

**Executive Summary**  
**CBSFA**  
**2006-2008 Community Development Plan**

**A. NAME OF APPLICANT**

The Central Bering Sea Fishermen's Association ("CBSFA").

**B. TABLE OF TOTAL CDQ AND PSQ ALLOCATION REQUEST IN PERCENT (PSQ REQUEST FOR SECOND TIER ONLY)**

See Table 1, Page 2 of the Executive Summary for a complete listing.

Summarized here are the Target Species requests:

**CBSFA 2006-2008 CDP**  
**CDQ Allocation Request/Target Species**

<b>Species</b>	<b>2003-2005</b>	<b>2006-2008</b>	<b>Change</b>
Opilio Crab	20%	20%	0%
Bristol Bay RKC	10%	20%	10%
EAI Golden (Brown) King Crab	NA	24%	NA
Adak Red King Crab	NA	24%	NA
Bairdi Crab	19%	20%	1%
Pribilof Reds/Blue KC	100%	100%	0%
St. Matthews KC	0%	20%	20%
Pacific Cod	9%	15%	6%
BS Sablefish/FG	16%	20%	4%
AI Sablefish/FG	3%	20%	17%
BS Pollock	5%	12%	7%
AI Pollock	5%	12%	7%
Area 4C halibut	85%	85%	0%

CDQ Reserve Category (metric tons)

BS Pollock	12%
AI Pollock	12%
Pacific Cod	15%
BS FG Sablefish	20%
AI FG Sablefish	20%
BS Sablefish	20%
AI Sablefish	20%
WAI Atka Mackerel	12%
CAI Atka Mackerel	12%
EAI/BS Atka Mackerel	12%
Yellowfin Sole	12%
Rock Sole	12%
BS Greenland Turbot	12%
AI Greenland Turbot	10%
Arrowtooth Flounder	14%
Flathead Sole	14%
Other Flatfish	10%
Alaska Plaice	12%
BS Pacific Ocean Perch	12%
WAI Pacific Ocean Perch	12%
CAI Pacific Ocean Perch	12%
EAI Pacific Ocean Perch	12%
Northern Rockfish	*
Shortraker Rockfish	*
Rougheye Rockfish	12%
BS Other Rockfish	12%
AI Other Rockfish	12%
Other Species	*

PSQ Reserve Category (halibut in mt, all others in number of animals)

Zone 1 Red King Crab	12%
Zone 1 Bairdi Tanner Crab	12%
Zone 2 Bairdi Tanner Crab	12%
Opilio Tanner Crab	12%
Pacific Halibut	12%
Chinook Salmon	12%
Non-Chinook Salmon	12%

Halibut

Management Area(s) 4B; 4C; 4D; and or 4E	85% 4C
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CDQ Crab

Bristol Bay Red King Crab	20%
Norton Sound King Crab	0%
Pribilof Red King Crab	100%
Pribilof and St. Matthew Blue King Crab	20%
C. Opilio (Bering Sea)	20%
C. Bairdi (Bering Sea)	20%
Eastern AI (EAI) Golden (Brown) King Crab	24%
Adak (Petrel Bank) Red King Crab	24%

\* These species will be managed at the CDQ reserve level and not as CDQ group specific allocations.

KEY: (BS) Bering Sea; (AI) Aleutian Islands; (WAI) Western Aleutian Islands; (CAI) Central Aleutian Islands; (EAI) Eastern Aleutian Islands. When AI are referred to individually, 541=EAI, 542=CAI, 543=WAI.

## C. COMMUNITIES REPRESENTED WITHIN THE APPLICATION

St. Paul Island, Alaska

## D. DESCRIPTION OF THE MANAGING ORGANIZATION

CBSFA is the managing organization for this Community Development Plan (“CDP”). CBSFA is one of the six original western Alaska CDQ organizations, and as such is a non-profit 501 (c)(4) corporation, registered in the State of Alaska.

CBSFA is managed by a nine-member Board of Directors. Directors are elected by popular vote and serve staggered, three-year terms. All, but one member, are residents of St. Paul Island.

The CBSFA staff consists of a President, a Chief Financial Officer, an Office Manager, an Administrative Assistant and a Quota Manager (who also serves as CBSFC President).

CBSFA also has a wholly-owned subsidiary known as the Multi-Species Development Holdings, LLC (“MSDH”); which manages the harvesting, processing, and related assets of CBSFA, collective known as the “Multi-Species Development Project”

MSDH is managed by a five-member Board of Directors. MSDH staff includes a General Manager, a part-time Bookkeeper, and a part-time Project Assistant; all hired under a single independent contractors agreement.

CBSFA also has a wholly-owned subsidiary known as the Central Bering Sea Fishermen’s Corporation (“CBSFC”); which manages various loan and scholarship programs, and some for-profit investments.

CBSFC is served by managed by a five-member Board of Directors. CBSFC staff consists of a President. CBSFC also has a loan committee.

## E. GOALS, OBJECTIVES AND MILESTONES OF THE CDP

### **Goal 1: General Management/ CBSFA and CBSFC Combined**

Milestone 1: Secure independent financial and performance audits. *Annually*

Milestone 2: Provide updated Board training and education each year. *Annually*

Milestone 3: Review subsidiary and partner(s) performance. *Annually*

Milestone 4: Provide staff training. *On-going*

### **Goal 2: Vessel, Gear and IFQ Loans**

Milestone 1: Continue to offer loans to local fishermen. *Annually*

Milestone 2: Review loan performance, program goals and budget. *Annually*

Milestone 3: Evaluate loan programs if Area 4C/4D boundary change is adopted. *On-going*

Milestone 4: Implement loan program changes, if needed. *On-going*

### **Goal 3: Multi-Species Development Holdings, LLC (“MSDH, LLC”)**

Milestone 1: Vertical integration/management of harvest/process assets. *On-going*

Milestone 2: Conduct Internship/Management Training program. *Annually*

Milestone 3: Continue expansion of existing fisheries and investigate new fisheries to further develop St. Paul’s economy. *On-going*

Milestone 4: Develop and implement an Outreach Program. *On-going*

### **Goal 4: American Seafoods Investment**

Milestone 1: Monitor and participate in ASLP Board activities. *Annually*

Milestone 2: Develop CBSH to hold ASLP investment and changes. *Annually*

### **Goal 5: F/V Ocean Cape and F/V Zolotoi**

Milestone 1: Continue Exit/Take-over Process. *On-going/may be discontinued*

### **Goal 6: Northern Crab Processor Quota Share (PQS) Set-Aside Fund**

Milestone 1: Set-aside \$750,000 per year into a fund specifically to be used to negotiate the purchase of northern region crab processor quota shares.

Milestone 2: Seek to negotiate with various northern region crab processors to secure ownership of processor quota shares.

### **Goal 7: Monitor Fishery Management Processes**

Milestone 1: Participate in NPFMC, IPHC and other fishery management forums. *Annually*

Milestone 2: Participate in the Pribilof Islands Collaborative process. *On-going*

### **Goal 8: Sustainable Fisheries Research**

Milestone 1: Participate in efforts to initiate more Bering Sea research. *On-going*

Milestone 2: Participate in efforts to develop research projects and funding sources. *On-going*

Milestone 3: Continue existing CBSFA sponsored research projects. *On-going*

Milestone 4: Continue public outreach through CBSFA-sponsored website, [www.pribilofresearch.org](http://www.pribilofresearch.org). *On-going*

### **Goal 9: CBSFA Halibut Cooperative**

Milestone 1: Develop CBSFA Halibut Cooperative Business Plan. *Annually*

Milestone 2: Conduct a halibut fishery management meeting with the local fleet. *Annually*

### **Goal 10: Local Fleet Support Program**

Milestone 1: Deploy, retrieve and maintain floating dock system. *Annually*

Milestone 2: Provide Vessel Launch and Retrieval services to the Local Fleet. *Annually*

Milestone 3: Maintain Launch and Retrieval equipment (crane and boat trailers). *On-going*

Milestone 4: Provide general fisherman's training. *Annually*

### **Goal 11: Large Vessel Transition Project**

Milestone 1: If NPFMC approves Area 4C IFQ/CDQ to be harvested in Area 4D, CBSFA will assess local vessel transition needs. *2006*

Milestone 2: Implement plans based on assessment. *On-going*

### **Goal 12: Vessel Repair and Maintenance Program**

Milestone 1: Survey local fleet vessel maintenance and repair needs. *Annually*

Milestone 2: Facilitate program based on survey results. *Annually*

### **Goal 13: Community Outreach Program**

Milestone 1: Continue quarterly newsletter. *Quarterly*

Milestone 2: Continue Annual Member Survey. *Annually*

Milestone 3: Continue Annual Board Survey. *Annually*

### **Goal 14: Education and Training**

Milestone 1: CBSFA will fund a scholarship, student loan, and training program. *On-going*

Milestone 2: Review student loan performance. *Annually*

Milestone 3: Review scholarship and student loan policies and budgets. *Annually*

Milestone 4: Coordinate with MSDH-sponsored internship program. *Annually*

### **Goal 15: Small Boat Harbor ("SBH") Project**

Milestone 1: Continue the Small Boat Harbor set-aside fund. *Annually*

Milestone 2: Participate in final design, engineering and contract for construction. *Q1 2006*

Milestone 3: Pursue necessary funding for construction. *Q1 2006*

Milestone 4: Begin construction. *Q4 2007*

### **Goal 16: Vessel Repair, Maintenance and Storage Facility**

Milestone 1: Secure building site, permits and begin construction of the facility. *2006*

### **Goal 17: St. Paul Harbor Maintenance, Repair, and Improvements Project**

Milestone 1: Prepare work plan consistent with Industry/community needs. *Q1 2006*

Milestone 2: Undertake design, permitting and other necessary activities. *On-going*

Milestone 3: Undertake projects as identified/approved. *On-going*

### **Goal 18: Land Set-Aside Fund Project**

Milestone 1: Set-aside \$200,000 per year into a fund specifically to be used to negotiate for land that will be needed to fulfill existing projects and projects in the future.

### **Goal 19: Cash/Fund Management**

Milestone 1: Manage cash flows in accordance with our CDP budget to maintain sufficient liquidity to meet our investment strategy and annual operations funding.

Milestone 2: Continue our monthly portfolio reviews of our investment accounts with our investment brokers in order to evaluate our investment account holdings to react for market volatility.

Milestone 3: Continue the quarterly meetings of our Investment Committee with our investment brokers in order to devise new strategies to align our investments assets to our CDP needs and goals.

Milestone 4: Provide our CFO with 16 hours of qualifying annual financial management CPE.

Milestone 5: On a semi-annual basis conduct a review of our LOC and long-term debt including guarantees made on behalf of our subsidiaries with our bankers in order to maintain a healthy balance of debt to assets and debt service cost to income ratios.

## **F. DESCRIPTION OF THE CDP PROJECTS IN THE PROPOSED CDP**

### **Project 1: General Management**

The scope of our Management project will remain unchanged from the 2003-2005 CDP.

Milestones 1 and 2 are self-explanatory. Milestone 3 will be completed by management and/or board review and by reviewing the results of annual independent audits.

### **Project 2: Vessel, Gear and IFQ Loans**

The local fleet on St. Paul Island has expanded rapidly in recent years. At this time, there is almost no shore-side support. The repair, maintenance and replacement of gear and vessels are very difficult and costly for individual vessel owners. To support local vessel owners, CBSFC offers low interest vessel and gear loans up to \$35,000. This loan program is administered through CBSFC, our for-profit subsidiary. The loan applications are reviewed and approved by an independent loan committee appointed by the CBSFC board of directors.

CBSFC also offers IFQ loan programs for qualifying fishermen. Any local fisherman that presents a NMFS Transfer Eligibility Certificate to CBSFC and meets certain other qualifications is eligible for our program. Our goal is to increase local participation in halibut IFQ fisheries that take place in waters surrounding St. Paul Island.

Finally, CBSFA submitted a proposal to the NPFMC to allow Area 4C IFQ/CDQ to be harvested in Area 4D, to improve harvesting of Area 4C IFQ and CDQ halibut and restore economic stability to the community. If NPFMC approves this proposal, CBSFA/CBSFC will review and modify the various loan programs to meet the needs of the local IFQ and CDQ harvesters. The local fleet may transition to larger fishing vessels, requiring loan program modifications.

### **Project 3: Multi-Species Development Holdings, LLC (“MSDH”)**

For the last several years, CBSFA has been developing plans for a St. Paul-based, crab and groundfish seafood company. Beginning with the acquisition of equity stakes in six vessels (2003/2004) and the formation of MSDH, CBSFA has made rapid progress towards the development of the new venture.

In 2004, CBSFA created a wholly-owned subsidiary named “MSDH, LLC” to own and manage assets that are acquired to develop a successful seafood venture for St. Paul Island. MSDH now has investments in all major Bering Sea crab fisheries, the Bering Sea pollock fishery and the AI Brown crab fisheries, giving the community of St. Paul direct ownership of significant fisheries harvesting rights.

MSDH, LLC, on behalf of CBSFA and St. Paul Island, has entered into more than one Memorandum of Understanding and begun formal negotiations with several Bering Sea processors, to buy or otherwise participate in the management of the processing rights and assets necessary for the MSDH project.

MSDH, LLC, also plans to establish a management/training program in early 2005 to train a St. Paul resident to work as the Fleet/Vessel Manager. Additional training opportunities for island residents will also be developed. An Outreach Program will also be established, which will use a website as well as newsletters for public outreach tools.

CBSFA and MSDH have also developed an agreement that requires MSDH to distribute at least 70% of annual net profits back to CBSFA. CBSFA will use the profits on the projects included in their Community Development Plan.

### **Project 4: American Seafoods Investment**

CBSFA will continue to evaluate and manage our investment in ASLP via participation in Board meetings and conferences with ASLP management.

CBSFA created a subsidiary named Central Bering Sea Holdings (CBSH) to own and manage CBSFA’s investment in ASLP. The purpose of CBSH is to provide corporate protection to CBSFA and to react efficiently to any changes in this investment.

### **Project 5: FV Ocean Cape and FV Zolotoi**

For the last several years, CBSFC has held a minority stake in the F/V Ocean Cape and the F/V Zolotoi. In mid-2002, however, the CBSFC Board began exploring an Exit. This course of action was precipitated by the continuing poor financial performance of the vessels and a shift in CBSFA priorities towards the MSDH project. This action is intended to sell out these investments and to focus on our new CBSFA/MSDH crab-related investments.

This project may be discontinued if CBSFC sells or pulls out of these vessel investments. The F/V Ocean Cape has already been sold in October 2004 and plans are underway to sell the F/V Zolotoi.

## **Project 6: Northern Region Crab Processor Quota Share (PQS) Set-Aside Fund**

This project will be developed under the authority of the following NPFMC action (excerpt);

### **Council Motion - Crab Rationalization, April 5, 2003**

#### **Community Purchase and Right of First Refusal Options**

##### **1. General Right of First Refusal**

For communities with at least three percent of the initial PQS allocation in any BSAI crab fishery based on history in the community except for those communities that receive a direct allocation of any crab species (currently only Adak), allow **CDQ groups** or community groups representing qualified communities **a first right of refusal** to purchase processing shares that are based on history from the community which are being proposed to be sold for processing outside the boundaries of the community of original processing history in accordance with the provisions below.

##### **Entity Granted the Right of First Refusal**

The right of refusal shall be established by a contract entered into prior to the initial allocation of PQS which will contain all of the terms specified in paragraphs A through I below. The contract will be between the recipient of the initial allocation of the PQS and:

- 1) the CDQ group in CDQ communities**
- 2) the entity identified by the community in non-CDQ communities.

In non-CDQ communities, the community must designate the entity that will represent the community at least 90 days prior to the deadline for submission of applications for initial allocations of PQS.

Ownership of PQS's will help CBSFA invest in or contribute to a joint project with other seafood industry companies to form a vertically integrated seafood company based in St. Paul that CBSFA will have a major stake in.

## **Project 7: Monitor Fishery Management Processes**

CBSFA has been an active participant in fishery policy-making forums such as the NPFMC and IPHC. CBSFA's work in these processes has positively influenced policy decisions that have secured CBSFA's and St. Paul Island's involvement in the BSAI fisheries, including Crab Rationalization, Essential Fish Habitat, Area 4C halibut fisheries and halibut subsistence regulations.

CBSFA will continue to participate in fishery policy processes to promote and defend St. Paul Island's and CBSFA's participation in the BSAI fisheries to enhance and stabilize the economy of St. Paul Island, which is dependant on the commercial fisheries of the BSAI.

CBSFA has a stakeholder seat in the Pribilof Islands Collaborative (PIC). The PIC has been in an organizing stage since 2002 and has recently formed official stakeholders made up of Pribilof Island entities, commercial fishing industry, and conservation groups. The PIC is a group of people with diverse backgrounds, interests, and perspectives united to find common ground and to identify ways to improve and enhance the health of the ecosystem and economy in and around the Pribilof Islands.



## **Project 8: Sustainable Fisheries Research**

CBSFA has been involved in the selection and funding of several major research projects addressing fisheries resources in the Bering Sea; however, there is a need for more research. Unlike industry, the people of St. Paul have both a cultural and economic dependency on the sustainability of the marine resources of the Bering Sea.

CBSFA will continue to pursue additional research projects both independently and in coordination with other organizations.

Another major long-term focus of this research project is to ensure public access to research results. The research website created by CBSFA, [www.pribilofresearch.org](http://www.pribilofresearch.org), will function as a communication and outreach tool.

## **Project 9: CBSFA Halibut Cooperative**

In 2003 the CBSFA Board of Director's approved the formation of the CBSFA Halibut Cooperative to increase the ex-vessel price to the local fleet and maintain a self-sustaining Local Fleet Support Program. The Cooperative has successfully increased the ex-vessel price paid to local fishermen and covered the costs of the Local Fleet Support Program in its first year of operating.

The Cooperative has proven to be an effective plan for improving fishermen's income. CBSFA purchases CDQ halibut from the local fleet, then custom-processes the halibut through a negotiated contract with a local processor (CBSFA maintains ownership of the processed fish), markets the fish, and uses the net profits to improve ex-vessel price and cover the costs of the Local Fleet Support Program.

All related costs – from processing, to freight and cold storage, and the expense of operating the Local Fleet Support Program – are paid for from the sale of fish. Net profits from the sales are distributed to all participating vessels through a retroactive adjustment to the ex-vessel price paid to the fishermen.

However, over the last few years there has been a significant decline in Area 4C halibut abundance. In addition to funding research projects to investigate this problem, CBSFA is proposing changes to the Area 4C fishery to the NPFMC to mitigate the decline in catch rates and resulting economic losses.

## **Project 10: Local Fleet Support Program**

In 2002, CBSFA purchased a 60-ton Grove crane to deploy and retrieve the floating docks and the local fleet vessels. The Grove crane will eventually be incorporated into the Small Boat Harbor for lifting needs. CBSFA provides crane operators safety training each year and will continue training as needed.

CBSFA has also purchased two hydraulic boat trailers and a new access ramp for the floating docks in order to support the Local Fleet. The hydraulic boat trailers, the new access ramp and the existing floating docks will all be used in the Small Boat Harbor complex.

Each year, CBSFA facilitates fisherman's training and a vessel repair project for the local fleet. CBSFA also funds the maintenance of its crane, and continues to fund general maintenance and repair of the

floating dock system and two hydraulic boat trailers. Additionally, CBSFA funds dock security during the CDQ and IFQ halibut fisheries. CBSFA also provides marine safety equipment for local docks.

All of these programs and acquisitions are substantially funded by the CBSFA Halibut Cooperative.

### **Project 11: Large Vessel Transition Project**

This project will be undertaken if the NPFMC approves the CBSFA proposal to allow Area 4C IFQ/CDQ to be harvested in Area 4D.

It will require larger vessels than currently owned by local fishermen to safely work in the distant offshore waters of Area 4D.

The assessment will include analyzing various types of ownership scenarios, e.g., CBSFA wholly owned, partnership between CBSFA and skipper/crew; individually owned; and other acquisition scenarios. The assessment will also look at associated costs, large vessel support services needs and relationship to the planned Small Boat Harbor construction schedule.

### **Project 12: Vessel Repair and Maintenance Program**

Our local fleet is a major contributor to the local economy. In the summer, the local halibut fishery employs a significant number of residents – by far the largest single source of employment on St. Paul Island. Our fishermen still use relatively small vessels in the Bering Sea, known for its harsh marine environment. Vessel maintenance and repair is critical to promote safe fishing vessels and maintain a viable local fleet to continue harvesting local halibut quotas.

CBSFA will survey the fleet annually to assess vessel repair needs and facilitate repair and maintenance projects based on survey results.

CBSFA will bring in engine, welding, electrical and other experts as needed; currently, the repair work is done outdoors or in borrowed space. Construction of a permanent Vessel Repair and Maintenance Facility is clearly needed and justified (*see “Vessel Repair, Maintenance and Storage Facility” Project Sheet*). Vessel owners work with contractor, learning basic repair and maintenance skills. This is an integral part of our annual training program.

### **Project 13: Community Outreach Program**

CBSFA will provide a newsletter to the community and conduct a community survey to:

- inform the community about CBSFA programs and activities;
- advertise available jobs and certain application deadlines;
- better assess local community needs

In 2002, CBSFA introduced an annual Board Member Survey to acquire additional input and comments from the CBSFA board to provide direction to the CBSFA management.

## **Project 14: Education and Training**

CBSFA will continue its successful scholarship, student loan, and vocational training program. CBSFA provides scholarships and student loans to full time university students. CBSFA forgives a percentage of the student loans if a student graduates. If the graduate returns to St. Paul Island for at least a year to work, an additional percentage of the loan is forgiven. CBSFA also provides grants to individuals wishing to receive vocational training. CBSFA's education program is a major contributor to the success of many individuals attaining a degree from college and certificates of training.

CBSFA management and board consider our education and training project as one of our most beneficial contributions to the community for improving the lives of our members.

## **Project 15: Small Boat Harbor**

With the recent acquisition of a 60-ton Grove crane, a new floating dock access ramp and a new hydraulic boat trailer, the immediate risks to the operations of the Local Fleet have been reduced. All of these acquisitions will be utilized in the final Small Boat Harbor.

CBSFA has been setting aside money towards construction of the Small Boat Harbor since 1999. CBSFA will continue the set-aside until construction is completed.

CBSFA may need professional assistance to complete all of the milestones outlined above and work with the Corp of Engineers on construction and funding requirements.

The construction of the Small Boat Harbor is critical to the transition of the local fleet to larger fishing vessels. The Small Boat Harbor is critical to the future economy of St. Paul Island.

In addition to the construction of the much needed Small Boat Harbor, this project will provide high-paying construction jobs for the local residents of St. Paul during this economic decline period.

## **Project 16: Vessel Repair, Maintenance and Storage Facility**

The annual Vessel Repair and Maintenance Project sponsored by CBSFA has been an important undertaking for the local fleet. Currently, CBSFA brings in engine, welding, electrical and other experts as needed, but the actual repair work is done either outdoors or in borrowed space. There is clearly a need for the construction of a permanent Vessel Repair and Maintenance Facility.

CBSFA expects this building to serve multiple purposes, some of which are:

- winter storage space for the 60-ton crane;
- dry storage; and
- vessel repair and maintenance.

CBSFA has already developed a preliminary design for the building and is currently working on securing a suitable building site near the St. Paul harbor. Available land near the harbor is very limited and needs further negotiations with land owners.

## **Goal 17: St. Paul Harbor Maintenance, Repair, and Improvements Project**

Under the BSAI Crab Rationalization program more than 40% of the Opilio and 9.5% of the Bristol Bay RKC must be landed in the Pribilof Islands (“Northern Region”). St. Paul is the most likely processing center for most of these landings.

There are only three processing sites in the harbor, one of which is controlled by CBSFA for their MSD project. All three facilities have suffered from deferred maintenance since the 1999 Opilio crash and resulting economic crises.

This project addresses the deferred maintenance issues and also creates much needed local construction jobs for the residents of St. Paul during this economic decline period.

All docks within the St. Paul Harbor are in need of maintenance and repair, e.g., mooring cleats and dock bumpers are significantly worn and should be repaired to ensure harbor facilities are in good working condition.

## **Goal 18: Land Set-Aside Fund Project**

CBSFA will start our land set-aside commitment and invest it properly in order to complete land negotiations with various St. Paul Island land owners in the future.

CBSFA is planning to negotiate a deal for land to construct a Vessel Repair, Maintenance, and Storage Facility and negotiate for land to access the Small Boat Harbor.

CBSFA is planning to participate in a St. Paul based vertically integrated seafood company in the future that may require the purchase of land. At this time the scope of other future projects is unknown, however, we need to plan for acquisition of additional properties.

## **Project 19: Investment Fund Policies and Procedures**

CBSFA will continue its Investment Committee and quarterly meetings.

CBSFA will continue our SBH set-aside commitment and invest it properly in order to complete the SBH when called upon by the Army Corp of Engineers and the City of St. Paul.

CBSFA is planning to set-aside six months to one year's worth of operating capital in order to prepare for any short falls in our expected ROI from our fishing related investments.

CBSFA will require greater due diligence on new investments via CBSFA or our subsidiaries.

## **G. MANAGEMENT STRATEGY TO ACCOMPLISH CDP PROJECTS**

Since the Opilio crab collapse in 1999, CBSFA has demonstrated an uncommon ability to address the immediate business problems that arose, as well as plan for – and invest in – the projects that will lead to the stabilization and diversification of the St. Paul island economy.

This has been an on-going process well documented in the last two CDP's, as well as numerous Substantial Amendments to those CDP's.

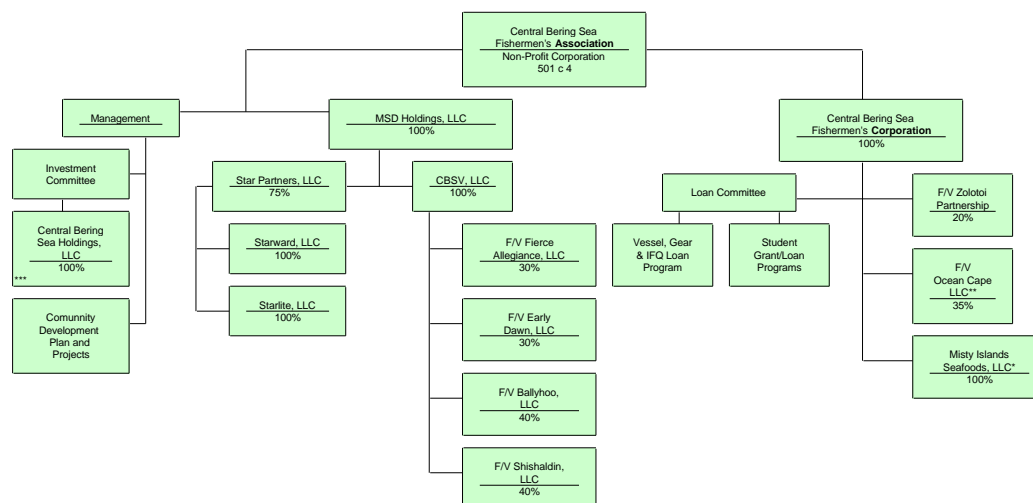
In mid-2003 CBSFA began making significant investments in crab harvest assets that will result in the receipt of crab IFQ's under the crab rationalization program; as well as shore-based pollock and cod harvesting assets that will, over time, be redirected to deliver product to the island and CBSFA's processing enterprise.

### Fishing Quota and Other Rights Owned by CBSFA/MSDH

<b>Dutch Harbor Brown King Crab</b>	<b>18.470% of TAC</b>
<b>Bering Sea Opilio</b>	<b>1.974% of TAC</b>
<b>Bristol Bay RKC</b>	<b>2.410% of TAC</b>
<b>Bering Sea Bairdi</b>	<b>2.110% of TAC</b>
<b>Adak Brown King Crab</b>	<b>3.108% of TAC</b>
<b>St. Matthews King Crab</b>	<b>2.581% of TAC</b>
 <b>Shore-based Pollock</b>	 <b>22,000 metric tons (approx)</b>

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CBSFA took one of its most important steps in late 2003 when it established MSDH, a wholly-owned subsidiary that will guide the vertical integration of CBSFA's harvesting and processing assets into a St. Paul Island-based, vertically integrated seafood company. CBSFA's corporate structure below:



A majority of the net profits of MSDH will be annually distributed back to CBSFA for its non-profit projects on St. Paul Island; the balance will be retained by MSDH for further investments to benefit the community.

CBSFA has also shown an ability to work within the regulatory and legislative processes very effectively. At the time this CDP is being submitted CBSFA representatives are involved in these issues and forums:

- CBSFA President Phillip Lestenkof is a U.S. Commissioner of the International Pacific Halibut Commission (“IPHC”) and CBSFA’s representative in the Pribilof Island Collaborative process.
- Steve Minor has or is representing CBSFA on the NPFMC Crab Rationalization Committee, the Alaska Board of Fisheries Crab task Force, as Chairman of the Pacific Northwest Crab Industry Advisory Committee and as a member of the NPFMC Pribilof Fur Seal Committee.
- Heather McCarty is representing CBSFA on the NPFMC Essential Fish Habitat Committee, and in the Pribilof Island Collaborative process.

It is of course worth mentioning that St. Paul Island (the City and CBSFA) were the primary authors and proponents of the NPFMC’s crab rationalization program, which has been authorized by Congress and is currently planned for implementation in 2005. As a direct result of our efforts the Pribilof Islands have secured these rights:

<b>Opilio crab</b>	<b>At least 42% must be landed in the Pribilofs</b>
<b>St. Matthews crab</b>	<b>At least 60% must be landed in the Pribilofs</b>
<b>Bristol Bay RKC</b>	<b>At least 9.5% must be landed in the Pribilofs</b>
<b>Pribilof Red/Blue KC</b>	<b>At least 60% must be landed in the Pribilofs</b>
<b>Bairdi</b>	<b>Landing requirements still to be determined</b>
<b>CDQ crab</b>	<b>At least 25% must be landed on-shore</b>

#### H. DESCRIPTION OF THE TARGET FISHERIES

There are several species that are vital to the MSDH project: crab (all species), pollock, pacific cod and sablefish; in addition, halibut has always been the primary species that supports our local fleet and the CBSFA Halibut Cooperative, which is the single largest source of local income and employment.

- Crab

Under the NPFMC’s crab rationalization plan, St. Paul Island will now become the “snow crab capital of Alaska”, with at least 42% of the IFQ fishery required to be landed in the Pribilofs. It has always been our stated intention to use this "regionalized landing requirement" as the foundation for direct investments in harvesting assets, and then leverage those harvesting assets for processing rights. CBSFA is well on its way to accomplishing this goal, and the allocation of CDQ crab is essential to the success of this project.

- Halibut

In spite of low halibut abundance problems in Area 4C, halibut fishing remains the largest source of local employment and household income. Almost all local fleet halibut fishing is based on our CDQ allocations (rather than IFQ); and CBSFA is addressing the abundance issue very

aggressively at the IPHC, NPFMC and research levels. A continuation of CBSFA's historic share of the Area 4C CDQ halibut allocation is essential to the local economy.

- Pollock

CBSFA was one of the original investors in American Seafoods, and has enjoyed significant economic returns as a result of that investment. Our CDQ pollock allocation has always been harvested by American Seafoods with above-average royalty payments to CBSFA.

In the last two years CBSFA (through MSDH) has begun investing in shore-based pollock catcher vessels as well, as part of our long-term strategy to continue to shift resource landings into our port. Although shore-based pollock royalties are not yet competitive with at-sea royalty rates, we are still optimistic that we will eventually begin landing additional resources ashore.

The CDQ pollock allocation is also our largest source of steady income to meet our investment and infrastructure plans. On the one hand, CBSFA/MSDH has been aggressively pursuing investments for the last 15 months or so, on the other hand, we have historically had the lowest CDQ pollock allocation and our development plans will soon be slowed without an increase in this target species.

- Pacific Cod

Because of recent investments, CBSFA now has access to nearly 4 million pounds of Pacific Cod annually. This is one of our best hopes for new shore-based processing in the Pribilof Islands, and a significant increase in our CDQ allocation for these species is requested.

- Sablefish

CBSFA/MSDH began development of a sablefish pot fishery in early 2004, as part of our plan to (a) more fully utilize our fleet, (b) assist in the efforts to reduce by-catch and (c) land this high-value species in the Pribilof Islands. The first year fishery was a success; a majority of our available CDQ was landed. We therefore request a significant increase in this target fishery.

## I. HARVESTING AND PROCESSING PARTNER INFORMATION

### *American Seafoods Company*

American Seafoods Company (ASC) will continue to be our primary partner for the harvest of CBSFA's CDQ pollock. ASC has been CBSFA's pollock harvesting partner since the implementation of the CDQ pollock program in 1992. CBSFA owns a stake in ASC. CBSFA is still negotiating a harvesting/royalty agreement for the 2006-2008 CDP period.

### *Pacific Longline Company*

Pacific Longline Company, a subsidiary of American Seafoods Company, owns three longline catcher/processors. CBSFA is still negotiating a harvesting/royalty agreement for the 2006-2008 CDP period.

### *UniSea Inc*

UniSea is our partner in two pollock/cod catcher vessels (F/V Starward and F/V Starlite); they will also likely be processing the pollock and cod from a third pollock/cod vessel (F/V Fierce Allegiance) in which CBSFA/MSDH has an equity stake.

In addition, UniSea has entered into a Northern Region crab processing joint venture with CBSFA/MSDH, which is one of the cornerstones of our new St. Paul Island-based seafood venture.

### *United States Seafoods, LLC*

U.S. Seafoods harvests CBSFA's Atka mackerel and other flatfish in coordination with several other CDQ groups who have pooled their Atka mackerel and other flatfish allocations. CBSFA is still negotiating a harvesting/royalty agreement for the 2006-2008 CDP period.

### *Unnamed Processing Partners*

Because of the "regionalization" of crab and the large Brown Crab IFQ holdings of MSDH, we will also be entering into additional crab processing relationships prior to August 2005.

### *Fierce Allegiance LLC, 57 Degrees North LLC, Shishaldin LLC and Early Dawn LLC*

CBSV is a wholly-owned subsidiary that manages the MSDH investments in four major Bering Sea vessels: The F/V Fierce Allegiance, the F/V Early Dawn, the F/V Ballyhoo and the F/V Shishaldin. This fleet works in coordination with the Star Partners fleet (see below) to harvest a broad cross-section of CBSFA's allocations of crab, cod and sablefish.

### *Star Partners, LLC*

The Star Partners LLC (75% owned by MSDH on behalf of CBSFA) manages two shore-based pollock/cod vessels: the F/V Starlite and the F/V Starward; in close coordination with the CBSV fleet (see above).

### *The St. Paul Local Fleet*

Our entire CDQ halibut allocation, managed by the CBSFA Halibut Cooperative, is harvested by the St. Paul Local Fleet. The Local Fleet has historically been the single largest source of local income and employment.

## **J. BENEFITS TO THE REGION**

- **Crab Rationalization**

The community protections and regional landings requirements embedded in the NPFMC's crab rationalization program are a direct result of the combined efforts of the City of Saint Paul and CBSFA. This significant program will benefit the entire region and all other CDQ groups through landings requirements, CDQ group Rights of First Refusal (ROFR's), increase asset values (crab



harvest assets have almost doubled in value in 15 months), stabilized employment and both local and state tax receipts.

St. George in particular, which has not had any crab processing since 1999, will be assured of renewed processing beginning in 2005; with a ROFR if their processor(s) want to leave the island after two years. APICDA and St. George are both direct beneficiaries of our efforts.

- Crab Investment Partnerships

MSDH, on behalf of CBSFA, has taken the lead in negotiations with other CDQ groups concerning some large-scale crab industry investments that should benefit the entire region. The details are confidential at this time.

- Area 4C/4D Halibut Boundary Changes

CBSFA is taking the lead in what appears to be a successful effort to modify the Area 4C halibut boundary to allow us to harvest our CDQ and IFQ halibut in Area 4D; which will mitigate the economic losses experienced by the Area 4 fishermen by improved harvest rates from Area 4D.

As with crab, St. George and APICDA will be direct beneficiaries of CBSFA's efforts. We do not expect this modification to negatively impact any other CDQ group, as the IPHC considers all Area 4 halibut as a single biomass.

- CBSFA and MSDH representatives are involved in a number of Essential Fish Habitat, Northern Fur Seal, Crab Research, Halibut Research and other initiatives that should add to our understanding of the Bering Sea ecosystem and improve our ability to manage resources on a sustainable level throughout the region.
- CBSFA and MSDH have likewise invested heavily in their participation in the regulatory and legislative processes. Most initiatives have a direct spill-over benefit for St. George Island and APICDA.

#### K. LEVEL OF LOCAL PARTICIPATION

- The CBSFA Halibut Cooperative has been established by CBSFA to maximize ex-vessel prices for the Local Fleet, and encourage maximum participation by the community. Historically this fishery has been the largest source of household incomes and employment.
- MSDH will be establishing new Fleet/Vessel Management Training and other Internship programs during the 2006-2008 CDP cycle support increased levels of employment on the island, as well as specific goals of CBSFA.
- The establishment of the St. Paul-based seafood venture – which will be operating by 2005/2006 – will increase significantly the employment opportunities for local residents.

- The MSDH –managed fleet of six Bering Sea vessels has opened up new job opportunities for local residents. A few positions have been filled in the last 15 months; MSDH will be increasing its Outreach program in 2005 to try to fill some more.
- The Crab Rationalization program itself, once implemented, will re-establish St. Paul as the largest port for opilio landings, as well as a significant share of other Bering Sea crab species; creating job opportunities throughout the local economy similar to the levels achieved in the late 1990's.

L. OTHER